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PERS Plan 1 Member Handbook

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PERS Plan 1: Summary of Selected Benefits

Eligible for Retirement	<p>You can retire from active service at:</p> <ul style="list-style-type: none"> – Any age with 30 or more years of service credit, or – At least age 55 with 25 or more years of service credit, or – At least age 60 with 5 or more years of service credit. <p>You can retire from inactive status at:</p> <ul style="list-style-type: none"> – Age 60 or older with 5 or more years of service credit, with an actuarially reduced benefit, or – Age 65 with 5 or more years of service credit, or – Age 60 or older, if you separated from service on or after January 1, 2002, were at least age 50 at separation, and have at least 20 years of service credit at separation. See page 9.
How Service Credit is Accumulated	Service credit is based on hours worked during a calendar month. 70 hours = 1 service credit month. Beginning September 1, 1991, members who work less than 70 hours in a month receive 1/4 service credit month. See page 5.
Service Credit for Military Time	You may be eligible to acquire up to five years of service credit for time spent in the military. See page 6.
Average Final Compensation (AFC)	The monthly average of your salary for the highest consecutive 24 service credit months prior to your retirement, termination or death. See page 9.
Benefit Formula	$2\% \times \text{Service Credit Years} \times \text{AFC} = \text{Monthly Benefit}$ See page 9.
Maximum Benefit	Your retirement benefit may not exceed 60 percent of your AFC.
Contribution Rates	You are required to contribute 6 percent of your monthly salary. This rate is set by law and may only be changed by legislative action.
Disability Benefits	Disability benefits are provided for injuries or illness incurred while on duty (page 13) and when in a non-duty status. See page 12.
Death in Service Survivor Benefit	<ul style="list-style-type: none"> – If you have less than 10 years of service credit and are not eligible to retire, your contributions plus interest will be paid to your beneficiary(s). – If you have at least 10 years of service, or are eligible to retire, your spouse or guardian of your minor children can choose between a monthly benefit or a lump sum payment of your contributions plus interest. See page 13.
Cost of Living Adjustment	Optional and automatic COLAs are provided as well as gain sharing. See page 11.

Plan 1

This handbook explains your rights and benefits under Plan 1 of the Washington State Public Employees' Retirement System (PERS). The Plan is designed to be an important source of income that along with Social Security benefits (if you are eligible), personal savings, and other investments, will help pay your living expenses when you retire.

Highlights

- The plan provides a lifetime benefit. See page 9.
- The Plan provides disability retirement benefits and survivor benefits if you meet the requirements. See pages 10 - 12.
- You and your employer both contribute toward your future benefits. See page 4.
- You may remain a member of the Plan if you transfer to another PERS-covered employer. See page 6.
- Your contributions are refundable only if you leave PERS-covered employment. If you withdraw your contributions, you lose your right to future benefits. You may restore your withdrawn contributions and reestablish your

benefits under certain circumstances. You cannot withdraw contributions made by your employer. See page 6.

- If you are a dual member, you may be able to combine service credit with that earned in other Washington State retirement systems in order to qualify for retirement. See page 7.

Inform your employer of previous PERS membership

As a PERS Plan 1 member, it is important that your new employer knows of your prior membership, even if you withdrew your contributions.

If you wish to change your beneficiary, ask your personnel officer for a Beneficiary Designation Form or download the form from the DRS Web site (see page 18 for the Web site address).

Elected or Governor appointed officials, city managers, chief administrative officers of a court, port district, or public utility district have the option to become a PERS member. They must complete a new Enrollment Form, even if membership was previously established.

Summary Description

The actual rules governing your benefits are contained in state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the current law will govern.

Am I a member of the plan?

You are a Plan 1 member if you established membership in PERS at anytime before October 1, 1977. If you terminate your employment and withdraw your contributions, Plan 1 will be the plan you join if you ever reestablish membership in PERS.

For purposes of this plan, “eligible position” normally requires at least 70 hours of compensated service per month during five months each year. “Covered employer” means an employer that participates in PERS. This includes:

- All departments, agencies, commissions, boards and offices of the state of Washington,
- All Washington state counties and public school districts,
- Most cities, towns and public utility districts, and
- Some diking districts, fire districts, health districts, housing authorities, irrigation districts, library districts, park districts, port districts, public utility districts, reclamation districts, sewer districts, water districts, airports and other political subdivisions within the State.

Exclusions

Some employees who satisfy the above eligibility criteria may be excluded from membership for other reasons. For a list of excluded employees, see “Additional Criteria for Membership” on page 14.

Who pays for my benefits?

Defined benefit plan

Your future benefits are funded by contributions made by you and your employer during your period of membership and the investment

earnings from those contributions. These contributions are held in trust and invested by the Washington State Investment Board.

Your plan is a 401(a) defined benefit plan. This means that at retirement you will receive a benefit based on service credit and final average salary. The amount of your contributions or your employers contributions will not be a factor in calculating your retirement benefit.

Your contributions

You are required to contribute a percentage of your “earnable compensation” to PERS. The member contribution rate is set by law and may be changed only by legislative amendment.

“Earnable compensation” means all salaries and wages paid by an employer to a member for service. This includes overtime, back pay, lump-sum payments for accrued leave and tax-deferred wages as defined by the Internal Revenue Code.

Cash payments for unused sick leave are excluded from earnable compensation for employees of the State, four-year universities, the Evergreen State College, community and technical colleges and school districts.

For questions regarding earnable compensation reported to PERS, contact your employer.

Employer contributions

Employers pay contributions that are based on a percentage of your salary and are not matching. Employer contributions help pay future retirement benefits, are not credited to your account, and cannot be withdrawn.

Loans, attachments, and assignments of contributions

Because the Plan is designed to provide retirement

income, you may not borrow from or against your contributions. See page 16 for more information.

What is service credit?

Service Credit

The amount of your retirement benefit depends upon the service credit you earn. "Service credit" is based on the number of days of compensated employment reported by your employer on your behalf.

You earn one service credit month for every calendar month in which you earn compensation for 70 or more hours of employment. You may not earn more than one month's service credit for a month of work, even if you work more than 70 hours for each of two or more employers. Beginning September 1, 1991, if you earn compensation for fewer than 70 hours in a month, you earn $\frac{1}{4}$ of a service credit month. Service credit years are calculated by dividing the total service credit months by 12.

EXAMPLE:

Calculating service credit

Suppose you were hired September 1, 1975, and worked for a covered employer until March 16, 2002, and then you retired. In your final month of employment you earn compensation for 80 hours.

Your service credit will be as follows:

Period	Months
September 1975 through December 1975	4
January 1976 through December 2001	312
January through March 2002	<u>3</u>
TOTAL	319

$319 \text{ months} \div 12 \text{ months} = 26.5833 \text{ years}$, or 26 years and 7 months of service credit.

School employees

Effective September 1, 1991, if you are employed by a school district, educational service district, the State School for the Blind, the State School for the Deaf, or an institution of higher learning, you may receive 12 service credit months for the school year if you:

- Are employed in an eligible position, and
- Earn compensation during at least nine months of the school year, and
- Have at least 630 hours of compensated employment during the period September 1 through August 31.

Probationary Period Recovery

You may recover service credit for a six-month probationary period served between October 1, 1947 and June 30, 1965, by making contributions for that period. To learn if you are eligible and what your payment might be, contact DRS. Your inquiry should include:

- Your name, Social Security number, and daytime telephone number,
- The full name of the agency where you served the probationary period, and
- The dates of the probationary period.

Service credit from another retirement system

You may be able to combine your PERS service credit with credit earned in other Washington state retirement systems in order to qualify for retirement. For more information, see "What if I've previously been a member of another retirement system?" on page 7.

Military Service Credit

You may be eligible to acquire service credit for up to five years of time spent in the military at

no charge. To determine if you are eligible for interruptive or non-interruptive military service credit, you need to apply to DRS.

Interruptive military service

Interruptive military service credit is available to those who interrupt their PERS service to serve in the U.S. military. If you are an eligible PERS Plan 1 member, you may receive credit for interruptive military service. To receive interruptive military service credit, you must:

- Serve in one of the armed or uniformed services of the United States, and
- Return to work with the same employer you worked for before entering military service within statutorily defined time limits following completion of your military service.

Non-interruptive military service

Non-interruptive military service credit is available to those who served in the U.S. military prior to becoming PERS members. If you qualify to receive non-interruptive military service credit, you may apply for it at any time prior to retirement. To receive credit for military service performed prior to becoming a PERS Plan 1 member, you must:

- Have at least 25 years of PERS Plan 1 service, and
- Be a veteran as defined in the Revised Code of Washington.

If you do not meet all of the above requirements, you do not qualify for non-interruptive military service credit.

You can find more information about military service credit requirements by reading *PERS 1 Interruptive Military Service Credit*, a DRS on-line publication (see page 18 for the Web site address).

Vesting

When you have five or more service credit years in PERS, you have a vested right to a retirement benefit when you meet the Plan's age requirement, even if you leave covered employment.

Your benefit will depend in part on how many service credit years you have earned (see page 9, under "How is my benefit calculated?"). If you withdraw your contributions and terminate your membership, you give up your right to retirement benefits.

What if I leave my PERS position?

Leaving your current PERS-covered position before you retire will have an impact on your benefits. The nature of the impact depends on where you are employed and whether you withdraw your contributions from PERS. If your next position is with a PERS-covered employer, and your position is PERS eligible, your membership and service credit will continue.

Withdrawing your contributions

If you leave PERS employment, you may withdraw your accumulated contributions. This is the only circumstance in which a refund is permitted. Withdrawal of your contributions cancels all rights and benefits you have accrued in PERS. You can learn more by reading *Withdrawal of Retirement Contributions*, a DRS information and application packet that is available from the DRS Web site or through your employer.

You are not required to withdraw your contributions when you leave PERS-covered employment. If you leave your contributions with PERS, your funds will continue to accrue interest and your service credit will be preserved for you in the event you return to PERS service. (See vesting above.)

If you leave PERS-covered employment and leave your contributions in the Plan, keep DRS informed of changes in your name, address and beneficiary.

Tax implications of withdrawing your contributions

Federal law requires DRS to withhold 20 percent of the tax-deferred portion of lump sum payments for Federal Income Tax unless the funds are transferred directly to another eligible retirement plan. Federal law may also require an additional 10 percent tax be withheld as an early withdrawal penalty if you are under age 59 ½. You can find more about withholding penalties by reading *Withdrawal of Retirement Contributions*, a DRS information and application packet that is available from the DRS Web site.

DRS is required to report all lump-sum payments to the Internal Revenue Service (IRS). It is your responsibility to report the withdrawal on your tax return. For more information on this subject, contact the IRS or your tax advisor.

Restoring PERS service credit

To restore service credit, you must repay the total amount withdrawn, plus interest, within 60 service credit months of returning to service, or before you retire, whichever comes first. Payment must be completed by the statutory deadline, or your service cannot be restored under this statute. You can learn more about restoring service credit by reading the DRS publication, *Plan 1 Recovery of Withdrawn or Optional Service Credit*.

It is still possible to purchase withdrawn and some optional service credit after the statutory deadline. The cost for purchasing service credit after the deadline date is considerably more expensive. You can learn more about purchase of service credit by reading the DRS publication, *Plan 1 Recovery*

of Withdrawn or Optional Service Credit. This Publication is available on the DRS Web site.

What if I've previously been a member of another retirement system?

Former members of SCERS

If you were formerly a member of the Statewide City Employees' Retirement System (SCERS), you may establish service credit in PERS. Contact DRS for more information.

Dual membership

If you establish membership in more than one retirement system, you may qualify as a dual member, even if your membership in another system has been terminated.

You qualify for dual membership if you meet **all** the following criteria:

- You are currently a member of PERS, the Teachers' Retirement System, the School Employees' Retirement System, the Washington State Patrol Retirement System, Plan 2 of the Law Enforcement Officers' and Fire Fighters' Retirement System, or the City Retirement System of Tacoma, Seattle, or Spokane;
- You previously contributed to a dual member system other than the one to which you now belong;
- You have not retired for service from any dual member system, or any other DRS-administered system; **and**
- You are not receiving disability retirement or disability leave benefits from any dual member system, or any other DRS-administered retirement system.

EXAMPLE:

Combined service credit

Suppose you are a PERS Plan 1 member, are 55 years old and have 23 PERS Plan 1 service credit years. You also have 2 service credit years in TRS for a total of 25 service credit years — enough to retire.

The provisions of each respective Plan determines the amount of your benefit from each Plan and when each benefit can begin. If you retire as a dual member, your total benefit cannot exceed the amount you would receive if all your service had been in a single system.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than PERS, you must repay the amount withdrawn, plus interest, within two years of first becoming a dual member or before you retire, whichever comes first. To determine how much you owe in order to restore service credit, contact DRS. See page 18.

Include the following information in your letter:

- Your name, Social Security Number, address and daytime phone number,
- The system(s) in which you want to restore service credit,
- The approximate dates of each withdrawal and the periods of employment each represents,
- The name(s) of the employer(s), and
- Your signature.

Payment must be made by the deadline. Though you cannot restore after the deadline, it is

still possible to purchase service credit. See “Purchasing Service Credit.” on page 7.

The provisions governing dual membership do not permit you to partially restore a single withdrawal, or restore contributions and reestablish service credit in a system in which you are currently a member, unless you are otherwise entitled to do so.

Can I obtain a refund of contributions paid after 30 years of service?

If you attain 30 service credit years, you can make a one-time election to participate in a program in which post 30-year contributions are refunded at retirement. Program participants earn 7.5 percent interest on their post 30-year contributions. If you participate in the program, your monthly retirement benefits will be based on earnings made prior to the date DRS received notice of your election to participate. Election to participate is irrevocable and must be made within six months after earning 30 service credit years, and is effective the first of the month in which you make this election. This law was enacted on July 25, 1999, and is not retroactive.

In the months prior to your 30th service credit year DRS will contact you and provide information to help you make an informed decision. To learn more about the Post 30-Year Program visit the DRS Web site, or obtain a copy of the DRS publication, *How does working beyond 30 years affect my benefit?* See page 18 for information about contacting DRS.

When can I retire?

Eligibility

Your service retirement benefit depends on your average final compensation (AFC), the survivor option you choose, and your service credit years at retirement. You are eligible to retire from **active service** at:

- Any age with 30 or more years of service credit, or
- At least age 55 with 25 or more years of service credit, or
- At least age 60 with five or more years of service credit.

You are eligible to retire from **inactive status**:

- Age 65 with five or more years of service credit, or
- At least age 60 with five or more years of service credit with an actuarially reduced benefit, or
- Age 60 or older, if you separated from service on or after January 1, 2002, were at least age 50 at separation, and have at least 20 years of service credit at separation.

How is my benefit calculated?

Benefit formula

Your monthly retirement benefit is calculated using the following formula:

2 percent x Service Credit Years x AFC

AFC is the monthly average of your 24 consecutive highest-paid service credit months. Your benefit can be no higher than 60 percent of your AFC.

Actuarial Reduction. Your benefit will be “actuarially reduced” if:

- Your service terminates prior to meeting eligibility requirements and you apply before age 65, or
- You choose a survivor option, or
- You choose the cost-of-living option.

“Actuarially reduced” means the benefit is reduced based on factors provided by the Office of the State Actuary. These factors are derived from statistics about life expectancy and projections of the Plan’s investment earnings. An actuarial reduction is typically necessary when benefits are going to be paid over a longer period of time or to more than one person.

EXAMPLE:

Benefit calculation

Suppose you retire at age 60 with 29.5 years of service credit and an average final compensation of \$27,000. Your monthly retirement benefit will be \$1,327.50. It is calculated as follows:

$$\begin{array}{rcl}
 2\% \times 29.5 \text{ years} \times \$27,000 \div 12 \text{ months} & & \\
 2\% \times 29.5 \text{ years} & = & .59 \\
 .59 \times \$27,000 & = & \$15,930 \\
 \$15,930 \div 12 \text{ months} & = & \$1,327.50
 \end{array}$$

This calculation is based on the standard benefit. Your benefit will be lower if you choose to continue benefits to a survivor upon your death. Benefit options are described on page 11. You can use the PERS Plan 1 estimator on the DRS Web site to estimate your benefit (<http://www.wa.gov/drs/estimate-unix/index.htm>).

Using annual or sick leave to increase your benefit

If you cash out leave (annual, sick, etc.) upon separation from employment, you may be eligible

to use all or part of the cash out value in your AFC calculation.

School district employees

School district employees may use up to 45 days of accumulated sick leave to retire early. For example, if you have 45 days of sick leave and are age 60 or older, you may retire with four years and 10 months of service credit or more. **Cashed out sick leave may not be used for this purpose.**

Sick leave cannot be used to meet the age requirement or as service credit in determining the amount of your retirement benefit. If you plan to use sick leave to advance your retirement date, contact PERS before separating from employment.

Elected or Appointed Officials. Members who are elected or appointed to office in accordance with Articles II or III of the State Constitution receive an annual retirement benefit of three percent of their average final compensation for such service.

Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits they have earned separately from each system. Dual members with a total of five or more years of service credit from all systems are entitled to a benefit from each system, even if they have less than five service credit years in any of the systems.

In determining average final compensation, dual members may choose whether to use:

- Compensation from each system (as defined in that system) to determine that system's benefit, or
- The highest base salary from any system, whichever produces the better benefit.

Base salary is the salary or wages you earned,

excluding overtime, lump-sum cashout, severance pay and bonuses.

EXAMPLE:

Dual member benefits

Suppose you are 53 years old and have 26 years of service credit from PERS Plan 1 and four years of service credit from TRS Plan 1. Without dual membership, your service in either plan would be too short to provide a benefit. With dual membership, however, you have enough to retire. You will receive a benefit from each plan, calculated according to the rules of each system as follows:

PERS Plan 1:

$$\begin{aligned} &2\% \times 26 \text{ years of PERS service credit} \times \\ &\text{average final compensation} \div 12 \text{ months} \\ &= \text{PERS benefit} \end{aligned}$$

TRS Plan 1:

$$\begin{aligned} &2\% \times 4 \text{ years of TRS service credit} \times \\ &\text{average final compensation} \div 12 \text{ months} \\ &= \text{TRS benefit} \end{aligned}$$

What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. This option generally cannot be changed after you retire. You are considered a retiree on the first of the month in which you retire.

If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. **If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse**

as beneficiary. The Retirement Application contains the Spousal Consent Authorization.

OPTION 1

Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions plus interest at the date of retirement, the balance will be paid in a lump sum to your named beneficiary.

OPTION 2

Joint and 100 percent survivorship

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

OPTION 3

Joint and 50 percent survivorship

This option also provides a benefit that is actuarially reduced, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

OPTION 4

Joint and 66.67 percent survivorship

This option provides a benefit that is actuarially reduced. The reduction is smaller than in Option 2, but larger than in Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Cost-of-living adjustment (COLA) options

When applying for retirement, you may elect to receive an additional COLA. This COLA option is in addition to the Uniform COLA explained below. If you elect the Cost-of-Living Option

at retirement, you will receive that COLA each July after being retired one year regardless of age. The COLA is up to 3 percent per year, as measured by the Consumer Price Index of Seattle, and takes effect in July after you have been retired for one full year. To offset the cost of this annual adjustment, your benefit is actuarially reduced.

The Uniform COLA

Once you have been retired at least one year and are age 66 or older, you qualify to receive the Uniform COLA. The size of your benefit adjustment will be based on the total service credit you accumulate as a PERS member.

Once you have qualified for the Uniform COLA, you receive **your first benefit adjustment in July following your 66th birthday. Your benefit will be adjusted each July thereafter.** If you have chosen a survivor option and you die, your beneficiary will receive the COLA in the July following his or her 66th birthday, providing that it has been at least one year since you retired.

The Uniform COLA is calculated by multiplying your years of service times the COLA amount. In 2002, the COLA amount was \$1.14. The maximum adjustment is 3 percent each July 1.

Gain Sharing

To qualify for gain sharing you must first qualify for the Uniform COLA. When earnings for the state retirement fund average more than 10 percent over a four-year period, the portion over 10 percent is declared "extraordinary gains." One-half of the extraordinary gains is used to increase retirement benefits. The four-year average is measured every two years, and if there are extraordinary gains, gain sharing benefits will be paid in January of even years. The base amount for the gain sharing benefit is computed by the State Actuary. The gain sharing amount is paid

for each year of service credit earned. The gain sharing amount is added to the Uniform COLA base amount used in the COLA calculation in July.

EXAMPLE:

Uniform COLA and Gain Sharing

Suppose you retired in April 1999 at age 65. You had 20 years of service credit and received a benefit of \$1,200 per month. In July 1999, you were age 66 and retired for over one year, therefore, eligible to receive the Uniform COLA. Your 1999 COLA would be computed by multiplying your service credit years times the COLA amount. Because you have qualified for the Uniform COLA you also qualify for gain sharing. Gain sharing is paid in January of even years and is added to the COLA amount for future COLA calculations. In 2000, there was a 28¢ base for gain-sharing, it was paid in January and added to the 3 percent Uniform COLA calculation in July.

1998 Benefit = \$1,200 a month
1999 COLA = 20 years x 77¢ = \$15.40
1999 Benefit = \$1,215.40 a month
2000 Gain sharing is 28¢ (28¢ x 20 = \$5.60)
January-June benefit = \$1221.00
2000 COLA = 20-years x \$1.08 = \$21.60
2000 Benefit = \$1242.60
2001 COLA = 20 years x \$1.11 = \$22.20
2001 benefit = \$1264.80
2002 -- insufficient gains, no gainsharing
2002 COLA = 20 years x \$1.14 = 22.80
2002 benefit = \$1287.60

The COLA amount will continue to increase by three percent annually as long as you or your beneficiary receives a benefit. Gain-sharing, if it occurs, will be applied in even years.

Changing a benefit option after retirement

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit may be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS.
- If you designate someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement by contacting DRS. This option can be used only once and is irrevocable.
- If you retire under Option 1, then marry, and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only once and is irrevocable.
- If you complete two or more years of uninterrupted active PERS membership after going back to work, you can select a new benefit option and/or beneficiary when you again retire.

What if I become disabled?

If a disability totally incapacitates you and prevents you from working, you may be eligible for disability retirement benefits regardless of how the disability was incurred. You can learn more about PERS disability benefits by obtaining a copy of the publication "PERS Disability Benefits" from your employer or DRS. This publication is also on the DRS Web site. PERS recommends you meet with a retirement benefits specialist if you become disabled and the disability appears to be terminal.

Duty Disability Benefits

Application Deadline. You must apply for a duty disability benefit **within two years** of the date the injury occurred; or, in the case of occupational disease, the claim must be filed within two years of when you separate from service with your employer.

Eligibility: You may be eligible for duty disability retirement benefits, if you become permanently unable to perform the duties of your job, or any other position for which you are qualified by experience or training, and the disability results from:

- A job-related accident suffered while performing your job duties, or
- An occupational disease for which you are eligible to receive benefits under Title 51 RCW, Workers' Compensation benefits.

Service Credit for temporary disability

You have the option to apply for up to 12 months of service credit while on leave for a disability. To qualify:

- Your disability must have occurred in the line of duty; and

- You must have received your injury on or after March 27, 1984, and be eligible to receive Workers' Compensation benefits; and
- You must make retirement contributions on the compensation you would have earned had you been working. DRS charges interest if the payments are made retroactively.

For more information on how to apply for disability service credit, contact DRS.

Non-Duty Disability Benefits

Eligibility: You may be eligible for non-duty disability retirement benefits if:

- You have had at least five years of covered employment; and
- You leave covered employment as a result of the disability; and
- The disability totally and permanently prevents you from performing the duties of your position or any other position for which you are qualified by experience or training.

Resumption of employment

If you resume gainful employment, you will need to provide DRS with the name of your employer and your monthly salary. Your disability benefits may stop unless the total of the compensation from employment and your disability benefit is less than your compensation earnable at the time you became disabled. If this total is more, your benefits will be reduced so the total does not exceed the level of your pre-disability compensation earnable, adjusted for inflation.

Note for former SCERS members: If you are a former member of SCERS, there may be other disability options available. For more information contact DRS.

What benefits do my survivors receive?

If you die after retirement

If you die after you begin receiving a service or disability retirement, your survivors may be eligible to receive benefits according to the retirement option you choose.

If you die before retirement

Benefits paid to survivors of a member who dies while employed depend on the member's age and service credit at the time of death. These benefits also apply to survivors of members who leave PERS-covered employment and do not withdraw their contributions.

Fewer than 10 years of service and ineligible to retire

If you die before earning 10 years of service credit and before becoming eligible for retirement, your beneficiary receives your contributions and interest earnings.

Ten or more years of service or eligible to retire

If you die while on active service or authorized leave of absence (not to exceed 120 days) after earning 10 years of service credit or after becoming eligible to retire, your survivors may choose between:

- A monthly benefit calculated as if you had elected Option 2 (see page 11), and actuarially reduced to reflect your age at the time of death, or
- A refund of your contributions, plus interest.

If you have no surviving spouse or IRS-qualified dependents, your remaining contributions will be paid in a lump sum to your legal representative (estate).

Designating a beneficiary

As an active member, you should keep your beneficiary designation in your PERS record up-to-date. The Beneficiary Designation Form, which is available from your employer and DRS, should be mailed to DRS. If you fail to file a beneficiary designation form, DRS automatically pays your surviving spouse or, if none, your estate.

If you marry or divorce prior to retirement, you should file a new Beneficiary Designation Form, even if your beneficiary remains the same. However, you should be aware that an ex-spouse may be able to attach your benefits under certain circumstances (see page 16). If you fail to file a new beneficiary designation form, DRS automatically pays your surviving spouse or, if none, your estate.

At retirement, if you choose Option 1, you may name a trust, your estate, an organization, or a person as your beneficiary. If you choose a survivor benefit option at retirement, you must select a person as your beneficiary. To change a beneficiary after retirement, see page 11.

If you die as a result of an injury sustained in the course of employment

If an active member or disability retiree dies as a result of injuries sustained in the course of employment and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a \$150,000 death benefit to the member's designated beneficiary.

If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, ongoing benefits received by the member's survivors may qualify for non-taxable status under federal and state law. Eligibility to receive benefit tax exemption will be determined by DRS.

Additional criteria for membership

Some employees may satisfy the basic eligibility criteria for membership (described on page 4) but be ineligible for other reasons. If you belong to one of the categories listed below, consult RCW 41.40.010(25) and RCW 41.40.023 or write to PERS to determine your eligibility.

You may be ineligible for membership if:

- You are a member or retiree from another public retirement systems in Washington,
- You work for an institution of higher education or community college and your employment is related to your or your spouse's education or training,
- You work for an institution of higher education or community college during the period of time in which you are establishing eligibility for that institution's retirement plan,
- You are providing professional services to an employer on a fee, retainer or contract basis, or when your income from professional services is less than 50 percent of the gross income you receive from your profession,
- You are an employee or elected or appointed official of a first-class city that has its own retirement system (Seattle, Spokane, or Tacoma) (however, PERS members who become elected or appointed officials of first-class cities may choose to continue in PERS membership instead of joining the city's retirement system), or
- You are enrolled in state-approved apprenticeship program authorized under RCW 49.04, and are employed by a local government to earn hours to complete the

apprenticeship program, **if** you are a paying member of a union-sponsored retirement plan, or if you are a member of a Taft-Hartley retirement plan.

Membership may be optional for you if:

- You are an employee of the Legislature,
- You are a current or former elected official or an official appointed by the Governor or Supreme Court, or
- You are the city manager or chief administrative officer of a city, county, public utility, or port district who serves at the pleasure of an appointing authority. (You may be eligible to apply for membership within 30 days of being appointed to the position).

What if I work after retirement?

Your benefits may be affected if you work for a DRS-covered employer after retirement. Under state law, the employer is required to report your hours to DRS.

When you apply for retirement you will receive the publication, *Thinking About Working After Retirement?* in your retirement application packet.

The publication will inform you of the rules regarding post-retirement employment. If you are unsure, please call DRS before you return to work. You can also obtain a copy of this publication on the DRS Web site.

Why does DRS need my Social Security Number?

DRS requests that you provide your Social Security Number when you are conducting business with the agency. Internal Revenue Code Sections 6041 (A), and 6109 authorize DRS to solicit your Social Security Number.

- The disclosure of your Social Security Number to DRS is mandatory.
- DRS will use your Social Security Number to ensure that any amounts disbursed under your account are properly reported to the Internal Revenue Service and as a reference number for tracking all data with regard to your retirement account.
- DRS will not disclose your Social Security Number to any party unless required by law.

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit will be subject to federal income tax. The only portion that is exempt from tax is the part that was taxed before it was contributed. Since September 1, 1984, many employers began deducting member contributions before taxes.

After you retire, DRS will notify you of the portion of your contributions that has already been taxed. The IRS refers to this taxed amount as your “cost.” You must complete a W-4P form to tell PERS how much of your benefit should be withheld for taxes. If you do not, DRS will follow IRS rules requiring withholding as if you are married and claiming three exemptions. It is your responsibility to declare the proper amount of taxable income on your income tax return.

Assignment and Attachment of Benefits

Retirement benefits are not generally subject to assignment or attachment. However, payments received by you in the form of retirement benefits, or as a refund of your contributions may be subject

to payment of court and administrative orders for spousal maintenance and child support, or payment of any orders authorized by federal law.

DRS is authorized to divide pensions between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, DRS will send the property division payment directly to the ex-spouse. For more information, read the DRS publication, *Can My Retirement Money Be Attached?* This and all other DRS publications are available on the DRS Web site – see page 18.

Administrative information

Administration of the system

The Public Employees' Retirement System is administered by DRS. The Director of DRS is appointed by the Governor.

Other DRS-administered retirement systems

- Teachers' Retirement System
- School Employees' Retirement System
- Law Enforcement Officers' and Fire Fighters' Retirement System
- Washington State Patrol Retirement System
- Judicial Retirement System
- Judges' Retirement Fund

Payment of retirement benefits

Your retirement benefit accrues from the first day of the month following the date you separate from service. Your benefit is paid at the end of each month and, in most cases, can be deposited directly in your bank or credit union account.

Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require that the overpayment be repaid. If there is an underpayment, DRS will correct the error and pay

you in full.

Petitions and appeals

Under DRS's internal review procedures, all "appeals" begin as "petitions." You may challenge a decision of a DRS administrator by filing a petition within 120 days of your receipt of the decision. A petition will be reviewed by the DRS Petition Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements which support your request for relief;
- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel, if you choose to be represented; and
- Your name, address, Social Security Number, and signature.

The Petition Examiner will ask for relevant information from the involved parties. Usually, this means you, DRS, and possibly your employer. After review, the Petition Examiner will enter a written decision and mail that decision to you by certified mail.

If you are not satisfied with the petition decision, you may file an appeal within 60 days of receipt of the decision. Included with your petition decision will be information describing how to file an appeal. An appeal will be heard by either DRS' Presiding Officer or an Administrative Law Judge.

When should I start planning for retirement?

Planning for retirement is an on-going process. The sooner you start the more likely you are to enjoy a comfortable and successful retirement. Here are some simple things you can do to help build your retirement plan:

- As soon as possible, attend one of DRS' Retirement Planning Seminars. These full-day sessions feature qualified speakers on a number of retirement subjects and are free of charge. The dates and locations for these seminars are announced in the member newsletter, *Retirement Outlook*, and on the DRS Web site (<http://www.wa.gov/DRS/drs.htm>).
- If you served in the military, submit a copy of your DD214 to DRS to determine if your active service is creditable.
- Calculate your future retirement benefit using the Benefit Estimator on the DRS Web site (<http://www.wa.gov/drs/estimate-unix/index.htm>). You can try a variety of retirement scenarios to see what works best for you.
- Because there are statutory time limits on restoring contributions withdrawn from your state retirement plan, read the DRS publication, *Can I recover Withdrawn or Optional Service Credit?* and review the rules that apply to your situation.

As you get closer to retirement

Consider the following:

- Contact the Social Security office periodically to review your file's accuracy. The toll-free telephone number for Social Security information is 1-800-772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Web site (<http://www.ssa.gov>).
- Obtain a copy of Internal Revenue Service Publication 575, Pensions and Annuities, also available on the Web site (<http://www.irs.gov>)

Contacting DRS

When you contact DRS about personal account information, be sure to include:

- Your Social Security Number.
- Your signature (for written correspondence).
- Your daytime telephone number.
- Your mailing address.
- From which plan you are requesting information.

Mailing Address

Public Employees' Retirement System
PO Box 48380
Olympia, Washington 98504-8380

Telephone

Olympia (360)664-7000
Toll-free 1-800-547-6657
TDD Line (hearing impaired)(360)586-5450
Toll Free TDD Number.....1-866-377-8895

E-mail Address

recep@drs.wa.gov

Warning: Electronic mail messages on the Internet may not be secure. Your message may not be confidential; it may be possible for other people to read your e-mail message.

Web Address

<http://www.wa.gov/drs/>

The DRS Web site contains the most recent edition of this handbook and all other member publications for PERS and the other DRS-administered systems.

The site also includes:

- Recent issues of the member newsletter, *Retirement Outlook*,

- Information about recent retirement-related legislation,
- A Benefit Estimator that you can use for retirement planning purposes, and
- A variety of other information of interest to retirement system members and public employers in Washington State.

Contact DRS for the following:

- To obtain more information about your rights and benefits under this plan;
- To request inactive member annual statements;
- To apply for retirement;
- To schedule an appointment to review your account information and retirement options in person.
- To obtain copies of other DRS publications mentioned in this handbook (all DRS publications are available on the DRS Web site).

Other PERS publications

All PERS publications are available on the DRS Web site.

- *PERS Disability*
- *Thinking About Returning to Work?*
- *Does Working Beyond 30 Years Affect My Benefit?*
- *PERS Plan 1 Interruptive Military Service Credit*
- *PERS Plan 1 Non-interruptive Military Service Credit*
- *Plan 1 Recovery of Withdrawn or Optional Service Credit*
- *What Is Dual Membership and How Does It Affect Me?*

DRS Internet Site:
www.wa.drs.gov

The PERS Plan
1 Handbook and
all other DRS
publications are
available on the DRS
Web site. Remember,
printed documents
can become outdated.

For the most current information, we
recommend the DRS Web site.



For information about obtaining a copy of this publication in an alternate format, contact DRS Publications by calling (800) 547-6657 ext 47278. In the Olympia area call (360) 664-7278.